Factoring Vendor Payments

Processing 1099 Transactions	Backup Withholding	**Factoring Vendor Payments**	Processing Other AP Transactions

The OSC Policy for Payment Factoring/ Assignment

It is the policy of the State to accept invoices from the party with whom the State has contracted, either via a formal contract or through a formal purchase order. Invoices sent from a third party will not be processed for payment.

With sufficient authorization (proof of assignment), the State will issue payments to a third party to whom the contractor has assigned or factored the transaction receivable(s). A clause in a signed contract assigning payment to a third party is considered sufficient justification, as in a formal letter, on the contractor's letterhead, authorizing third-party payment, and signed by a company executive. In addition, agencies can accept from a legal entity recognized by the State, a written request for third-party payment, citing the legal proceeding that requires the State to factor payments from one entity to another.

NCAS Procedures for Payment Factoring/ Assignment

A **factor** vendor for NCAS purposes is a vendor who receives a payment on behalf of another vendor. **Both vendors must exist in the NCAS for a payment to be factored**.

For trade vendors, XXPT and other shared entities, the OSC NCAS Help Desk will set up the vendor as a factor payment. Official notice of proof of assignment as stated in the OSC Policy on Payment Factoring/Assignment must be given to the OSC Help Desk by the contracted vendor or by the requesting agency on behalf of the contracted vendor. The OSC Help Desk will keep the original document of all proof of assignments for trade vendors. The proof of assignments must be on hand before a factor vendor will be added.

For non-trade vendors, XXPE and other non-shared entities, each agency will be responsible for adding the factor vendors and must keep the original document of all proof of assignments. Agencies should contact the OSC NCAS Help Desk at (919) 875-HELP for help adding the factor vendor.

NOTES

There are two methods available for factoring payments to vendors. Both methods require that the factor vendor be set up as a factor vendor in the NCAS. To set up a factor vendor in NCAS, follow normal procedures for setting up a vendor. The only additional step is to enter an **F** in the VENDOR STATUS field on the *Vendor Setup (VSU)* screen. Remember, for shared entities, this step is completed by the OSC NCAS Help Desk. For non-shared entities, it is completed by the agency.

The first method for factoring payments is used when **ALL** payments going to the contracted vendor must go to the factor vendor. The NCAS term used for this is a "permanent factor." The permanent factor vendor is tied to the contracted vendor by entering the permanent factor's vendor number and group code on the *Vendor Payable Information (VPN)* screen. Once the vendor has been set up in this manner, all payments going to the vendor will be sent to the factor vendor. The *Vendor Permanent Factor Lookup (VFL)* screen below displays vendors that have been set up as permanent factors. In the example below, both D & L Equipment, Inc and Family Home & Garden are sending their payments to Farm Plan.

```
OCP                    VENDOR PERMANENT FACTOR LOOKUP              VFL

NEXT FUNCTION: _____  ACTION: _____            09/27/2002  13:04:45


====================================================================================
 PAY ENTITY      : VEND              FARM PLAN
 FACTOR SHORT NAME: FARMPLAN
 FACTOR NUMBER   :  362927535  GROUP: a_  DETROIT

     SHORT NAME     VENDOR NBR  GROUP   NAME AND ADDRESS           ACTIVITY

    DLEQUIPMENTINC   561417853   A    D & L EQUIPMENT, INC.          ____

                                      ROXBORO
    FAMILYHOMEGARDE  561554368   C    FAMILY HOME & GARDEN INC       ____

                                      RALEIGH




                  PAGE NO:   1   SCREEN STATUS: END OF LIST
```

The second method of factoring payments is used when some payments are paid to the factored vendor and some are paid to the contracted vendor. The factor's vendor number is recorded on each individual invoice when the factored vendor is to be paid. The *Invoice Worksheet 1 (IWS-1T)* or *Employee Expense Worksheet 1 (EWS-1T)* screen is completed as normal. The only difference is that on the *Invoice Worksheet 2 (IWS-2T)* or *Employee Worksheet 2 (EWS-2T)* screen, the factor's vendor number is entered into the FACTOR NUMBER field.

Instructions and examples for factoring an individual payment are as follows:

NOTES

1. Verify that the vendor receiving the payment is established as a factor vendor in the vendor file. The status of a factor vendor is **F** on the *VRS* screen.

2. Complete the *Invoice Worksheet 1 (IWS-1T)* or *Employee Worksheet 1 (EWS-1T)* screen as usual with one exception. Enter the factor's vendor number in the FACTOR NUMBER field on the *Invoice Worksheet 2 (IWS-2T)* or *Employee Worksheet 2 (EWS-2T)* screen.

Once this is completed, a check will automatically be issued to the factor vendor in lieu of the original contracted vendor.

> For a payment to be factored, both vendors *must* exist in the system.

```
DBS AP                     INVOICE WORKSHEET 2                 IWS-2T

NEXT FUNCTION: _____  ACTION: _____        02/28/1998  08:38:05
REQUEST: _____
=============================================================================
HANDLING CODE   : __              REASON CODE      : ___ _____
                             ❷
GL EFFECTIVE DATE: _____      FACTOR NUMBER    : _____ __
PROVISIONAL DATE : _____  IND: ___   SIGNATURE APPR CD: ___ ___ ___ __ ___
PAYMENT ROUTE CD : ___  BANK PYMT:    ACCT RULE  :   VAT INCL    :
IND - PAYABLES : ___  DISCOUNT :   INTER PAY : ___   1099 TAX CODE: __
       EXPENSE  :    CO:    ACCT:          _____  CENTER:

LINE IND SALES TAX/VAT  IND OPTIONAL AMNT  1099 USE I'REC AR  PROJ-CO NUMBER
       FREIGHT              ADDITIONAL COST  DESCRIPTION PRORATE( T  F  A  D)
0001 ___ _____ ___ _____  _____ __ ___ __ __ ___ _____
     ___ _____ ___ _____  _____           _  _  _  _
0002 ___ _____ ___ _____  _____ __ ___ __ __ ___ _____
     ___ _____ ___ _____  _____           _  _  _  _
0003 ___ _____ ___ _____  _____ __ ___ __ __ ___ _____
     ___ _____ ___ _____  _____           _  _  _  _
0004 ___ _____ ___ _____  _____ __ ___ __ __ ___ _____
     ___ _____ ___ _____  _____           _  _  _  _
SALES TAX 2   : ___ _____   SALES TAX 3  : ___ _____
                                     GROSS AMOUNT :            .00
```

WALKTHROUGH: Factoring Vendor Payments

> ### *SCENARIO*
>
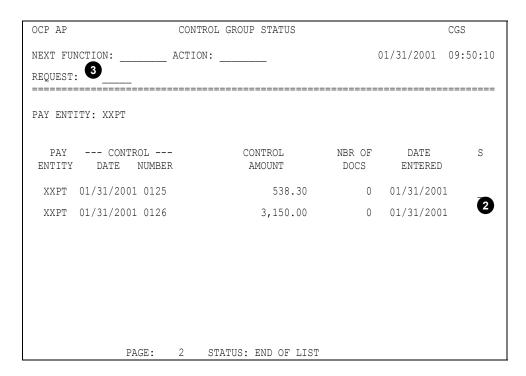> The third invoice in control group 126 is for Wake County. The payment has to be factored to the Office of the State Treasurer. (Only this payment needs to be factored. All Wake County payments do not need to be factored.)
>
> Wake County and the Office of the State Treasurer both exist in the system. The vendor number for Wake County is 566000347 D and the vendor number for the Office of the State Treasurer is 561545517 B.
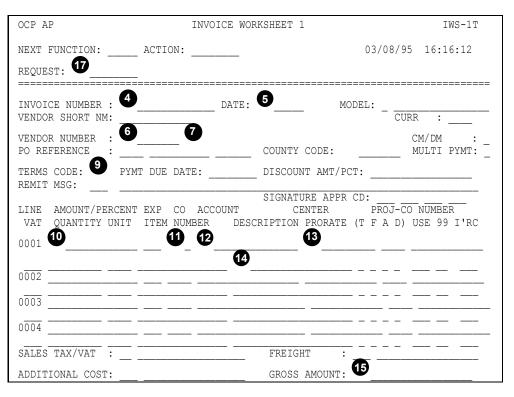
NOTES

You are currently working under Control Group Header 127, however, you need to be in Control Group Header 126.

1.   Type **CGS** in the NEXT FUNCTION field and press Enter to access the *Control Group Status (CGS)* screen.

```
OCP AP                    CONTROL GROUP STATUS                      CGS

NEXT FUNCTION: _____  ACTION: _____           01/31/2001  09:50:10
REQUEST:  ❸ _____
================================================================================

PAY ENTITY: XXPT


  PAY   --- CONTROL ---          CONTROL        NBR OF      DATE       S
 ENTITY   DATE   NUMBER           AMOUNT         DOCS      ENTERED

  XXPT  01/31/2001 0125             538.30          0   01/31/2001
                                                                       ❷
  XXPT  01/31/2001 0126           3,150.00          0   01/31/2001




             PAGE:   2    STATUS: END OF LIST
```

2.   Type **S** in the S field next to Control Group 126 and press Enter to select Control Group 126 and access the *Control Entry Status (CES)* screen.

3.   Type **3** in the REQUEST field and press Enter to access a blank *Invoice Worksheet 1 (IWS-1T)* screen.

Invoice: **Wake County** **Dept. of Social Services** **Raleigh, NC 27602**		**Invoice Number: 984657351** **Invoice Date: 03/11/2002** **Terms: Net**	
Description:	**Quantity:**	**Unit Price:**	**Total Price:**
payment for services			**500.00**
		Freight:	
		Tax:	
		Total:	**500.00**

NOTES

```
OCP AP                       INVOICE WORKSHEET 1                    IWS-1T

NEXT FUNCTION: _____  ACTION: _____            03/08/95  16:16:12
REQUEST: ⓱_____
==================================================================
INVOICE NUMBER : ④_____ DATE: ⑤_____     MODEL: _ _____
VENDOR SHORT NM: _____                   CURR  : ___
VENDOR NUMBER  : ⑥_____    ⑦                   CM/DM    : _
PO REFERENCE   : ___ _____ _____  COUNTY CODE: _____  MULTI PYMT: _
TERMS CODE: ⑨  PYMT DUE DATE: _____  DISCOUNT AMT/PCT: _____
REMIT MSG:   __ _____
                               SIGNATURE APPR CD: ___ ___ _____
LINE  AMOUNT/PERCENT EXP  CO  ACCOUNT        CENTER    PROJ-CO NUMBER
 VAT  QUANTITY UNIT  ITEM NUMBER   DESCRIPTION PRORATE (T F A D) USE 99 I'RC
0001 ⑩_____ __ _ ⑪_____⑫_ _____⑬_____ _____ ___ _____
 ___                          ⑭
0002 _____ ___ _____ _____ _____ ___ _____
 ___ _____ ___ _____ _____ _ _ _ _ __ __ ___
0003 _____ ___ _____ _____ _____ ___ _____
 ___ _____ ___ _____ _____ _ _ _ _ __ __ ___
0004 _____ ___ _____ _____ _____ ___ _____
 ___ _____ ___ _____ _____ _ _ _ _ __ __ ___
SALES TAX/VAT : __ _____    FREIGHT   : __ _____
ADDITIONAL COST: ___ _____    GROSS AMOUNT: ⑮_____
```

4.   Type **984657351** in the INVOICE NUMBER field.

5.   Type **031102** in the DATE field.

6.   Type **566000347** in the first blank of the VENDOR NUMBER field.

7.   Type **D** in the second blank of the VENDOR NUMBER field and press Enter to retrieve the vendor information. The system displays the following message: **VENDOR IS NORMALLY A MATCHING VENDOR.**

8.   Press Enter to override the message.

9.   Verify that your payment terms are **net** in the TERMS CODE field.

10.   At the 0001 line, type **500.00** in the AMOUNT/PERCENT field.

11.   Type your **company number (XX01)** in the CO field.

12.   Type **533150** in the ACCOUNT field.

13.   Type **10001000** in the CENTER field.

14.   Type **Payment to Treasurer in behalf of Wake County** in the DESCRIPTION field.

15.   Type **500.00** in the GROSS AMOUNT field. Delete the zeros at the end of the field.

16.   Press Enter to process the information.

NOTES

17.   Type **R** in the REQUEST field and press ⎡Enter⎤ to access the *Invoice Worksheet 2 (IWS-2T)* screen.

```
OCP AP                    INVOICE WORKSHEET 2                  IWS-2T

NEXT FUNCTION: _____  ACTION: _____         03/16/1998  14:49:10
REQUEST: ⓴_____
================================================================================
HANDLING CODE   : __              REASON CODE    : __ _____

GL EFFECTIVE DATE: _____     FACTOR NUMBER  : ⓲   ⓳_____
PROVISIONAL DATE : _____ IND: ___  SIGNATURE APPR CD: __ __ __ __
PAYMENT ROUTE CD : ___ BANK PYMT: 06D  ACCT RULE : 01   VAT INCL   : N
IND - PAYABLES : ___  DISCOUNT : 001  INTER PAY : ___   1099 TAX CODE: __
         EXPENSE : 001 CO: XX01 ACCT: 99999999899_____  CENTER: 999999999998

LINE IND SALES TAX/VAT  IND OPTIONAL AMNT  1099 USE I'REC AR  PROJ-CO NUMBER
         FREIGHT              ADDITIONAL COST   DESCRIPTION PRORATE( T  F  A  D)
0001 ___ _____ ___ _____  _____ ___ ____ __ ____ _____
     ___ _____ ___ _____  STEPS_OUT_PROGRAMS__   Y  Y  Y  Y
0002 ___ _____ ___ _____  __ __ __ __ ___ _____
     ___ _____ ___ _____  _____   -  -  -  -
0003 ___ _____ ___ _____  __ __ __ __ ___ _____
     ___ _____ ___ _____  _____   -  -  -  -
0004 ___ _____ ___ _____  __ __ __ __ ___ _____
     ___ _____ ___ _____  _____   -  -  -  -
SALES TAX 2    : ___ _____     SALES TAX 3  : ___ _____
                                       GROSS AMOUNT :      _____  500.00
```

18.   Type **561545517** (the factor's vendor number) in the FACTOR NUMBER field.

19.   Type **B** in the second blank of the FACTOR NUMBER field and press ⎡Enter⎤ to process the information.

📁   Note that if the vendor's factor file does not have a factor status, the following error message will appear:
162 - VENDOR ENTERED IS NOT A FACTOR.

20.   Type **N** in the REQUEST field to balance the document and press ⎡Enter⎤ to access a blank *Invoice Worksheet 1 (IWS-1T)* screen.

The payment has been factored to the Office of the State Treasurer. The NCAS will make the check payable to the factor vendor.

You have completed keying in the third document in control group 126.